MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

29 FEBRUARY 2016
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **SEVEN (7)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks is shown at the end of each question.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

Given below are the statements of financial position of Bell, Chime and Gong as at 31 December 2015.

	Bell	Chime	Gong
	RM	RM	RM
Land and building	1,500,000	640,000	460,000
Plant and equipment	280,000	420,000	170,000
Investments at cost:			
Chime	1,000,000		
Gong	220,000		
Inventories	50,000	140,000	60,000
Trade receivables	60,000	60,000	48,000
Bank	120,000	60,000	40,000
	3,230,000	1,320,000	778,000
Ordinary share capital	2,700,000	900,000	600,000
10% preference share capital	200,000	100,000	-
Retained profit	140,000	140,000	120,000
Trade payables	190,000	180,000	58,000
	3,230,000	1,320,000	778,000

Additional information:

a) The number of ordinary shares in issue of the three entities is as follows:

	Bell	Chime	Gong
Ordinary shares	2,600,000	800,000	600,000
10% preference shares	200,000	100,000	

b) On 1 January 2014, Bell acquired 640,000 ordinary shares of Chime. On that date, the retained profit of Chime was RM 200,000.

c) The fair value of the non-controlling-interest on the acquisition date was RM 320,000. It is the policy of Bell to recognise the non-controlling interest at fair value.

d) Bell has a one-third interest in Gong as from 1 January 2014 when the retained profit of Gong was RM 90,000. Gong is classified as a joint venture and Bell has joint control in Gong.

e) During the current year, Bell sold inventories to both Chime and Gong at invoice prices of RM 22,000 and RM 6,600 respectively. Bell sells goods to its investees at cost plus 10 percent. Both Chime and Gong have not sold any of these goods.

f) Included in the receivables of Bell were RM 4,000 due from Chime.

g) Goodwill on consolidation for Chime was impaired by RM 20,000. The impairment loss on the investment in joint venture (equity accounted) is RM 7,000.

Continued ...

Required:

i) Calculate goodwill for Chime and Gong.

(4 marks)

ii) Calculate group retained profit.

(5 marks)

iii) Prepare the consolidated statement of financial position as at 31 December 2015 in accordance with the requirements of MFRS 10 *Consolidated Financial Statements.*

(16 marks)

[Total: 25 marks]

QUESTION 2 (25 MARKS)

A) Power arises from existence of rights. Power could result from voting rights or rights embedded in contractual agreements. Explain the rights that give power to the investor.

(5 marks)

B) You are the chief accountant of True Bhd, a company listed on Bursa Malaysia. True Sdn Bhd is the parent of Blue Bhd. True Sdn Bhd, in turn, is a wholly-owned subsidiary of Real Bhd.

Required:
Write a memorandum to the director of True Bhd explaining the circumstances under which True Sdn Bhd is exempted from presenting consolidated financial statements under MFRS 10 *Consolidated Financial Statements*.

(5 marks)

Continued......

C) Aid has an issued ordinary share capital of RM100,000,000 consisting of 100,000,000 shares. Plus acquired the shares in Aid as follows:

Shares acquired	**Cost (RM)**	**Date of acquisition**	**Reserves of Aid (RM)**
15,000,000	30,000,000	1 January 2010	40,000,000
60,000,000	210,000,000	1 January 2015	100,000,000

Additional information:

a) Aid has no other reserves
b) On 1 January 2015, the fair value of one ordinary share of Aid was RM 3.

Required:

i) Compute the goodwill of the business combination where:
   a. The non-controlling interest is measured in proportion to the fair value of the identifiable net assets of Aid.
   b. The non-controlling interest is measured at fair value.

(8 marks)

ii) Discuss the accounting treatment if Plus accounts for its investments:
   a. at fair value through profit or loss
   b. as available for sale
   c. at cost

(7 marks)

[Total: 25 marks]

Continued……

QUESTION 3 (25 MARKS)

A) Given below are the statements of profit or loss of Air, Grit, and Jazz for the year ended 31 December 2015.

	Air	Grit	Jazz
	RM	RM	RM
Turnover	10,000	6,000	8,000
Cost of sales	(4,000)	(2,000)	(3,000)
	6,000	4,000	5,000
Expenses	(2,000)	(1,600)	(2,000)
	4,000	2,400	3,000
Gain on sale of plant	200	-	-
Dividends from subsidiaries	600	320	-
	4,800	2,720	3,000
Taxation	(1,000)	(600)	(800)
	3,800	2,120	2,200

Additional information:

a) Air acquired 60 percent of the issued ordinary shares of Grit on 1 January 2015. Goodwill on consolidation was RM 400,000 and was impaired as at 31 December 2015 by RM 80,000. Non-controlling interest is measured as a proportion of the fair value of the net assets of the subsidiary on the date of acquisition.

b) Grit acquired 80 percent of the issued ordinary shares of Jazz on 1 July 2015 for RM2,000,000. Goodwill on consolidation is RM 200,000. Goodwill of RM 20,000 was impaired as at 31 December 2015.

c) Air sold a plant of carrying amount of RM 600,000 for RM 800,000 to Grit during the year. The remaining useful life is ten years. A full year's depreciation is given in the year of acquisition and none in the year of disposal.

d) During the current year, Grit sold inventories at an invoice value of RM400,000 to Air; the markup was RM100,000. Air has not sold any of these goods.

Required:

Prepare the consolidated statement of profit or loss for the year ended 31 December 2015 in accordance with the requirements of MFRS 10 *Consolidated Financial Statements.*

(15 marks)

Continued……

B) A company accountant resisted the auditor's consolidation adjustment for the elimination of unrealised inter-company profit. She argued that "if the parent were to sell the goods to an outside party, instead of to the subsidiary, you would not have eliminated the profit, right? So, why should you eliminate the profit just because the buyer happens to be the subsidiary?"

Required:
Explain the rationale of this treatment to the accountant in accordance to MFRS 10 *Consolidated Financial Statements.*

(5 marks)

C) Hold Bhd has 40% interest in On Bhd. Write an email to the director of Hold Bhd, explaining the treatment of this investment in the consolidated statement of financial position of Hold Bhd group.

(5 marks)

[Total: 25 marks]

QUESTION 4 (25 MARKS)

The following are the consolidated financial statements of Flash Bhd.

Consolidated Statements of Financial Position as at 31 May

	2015	2014
	RM	RM
Property, plant and equipment	3,000,000	2,300,000
Investment in associate companies	500,000	250,000
Goodwill on consolidation	300,000	100,000
Current assets		
Inventory	1,200,000	500,000
Trade receivables	3,700,000	1,850,000
Bank balance	0	400,000
	8,700,000	5,400,000

Continued ...

Ordinary share capital	1,580,000	1,200,000
Retained profits	3,420,000	1,880,000
Asset revaluation reserve	500,000	0
Non controlling interest	360,000	100,000
Deferred tax	240,000	420,000
10% debentures	100,000	
Current liabilities		
Trade payable	2,300,000	1,700,000
Overdraft	200,000	0
Tax payable	0	100,000
	8,700,000	5,400,000
Number of ordinary shares	5,200,000	4,400,000

Consolidated Statement of Profit or Loss for the year ended 31 May 2015

	RM
Turnover	9,500,000
Cost of sales	(5,150,000)
	4,350,000
Expenses	(1,780,000)
Operating profit	2,570,000
Share of profits of associate companies	80,000
Profit before tax	2,650,000
Tax-Group	(680,000)
Profit after tax	1,970,000
Profit after tax attributable to:	
Equity holders of parent	1,820,000
Non-controlling interest	150,000
	1,970,000

Continued ...

Additional information:

a) The expenses for the year ended 31 May 2015 include depreciation charges on property, plant and equipment of RM 190,000 and impairment of goodwill on consolidation.
b) Machinery of carrying amount of RM 130,000 was sold for RM 92,000.
c) Flash Bhd had paid RM 280,000 dividends during the year.
d) Flash Bhd acquired shares in Light in which it was able to exert significant influence. The cost of acquisition was RM 200,000 which was discharged by a cash payment and issue of 10 percent debentures of RM 100,000.
e) On 1 December, Flash Bhd acquired Up Bhd. The effects of acquisition are as follows:

	RM
Property, plant and equipment	450,000
Inventory	230,000
Trade receivables	480,000
Bank	140,000
Trade payables	(600,000)
Non-controlling interest	(140,000)
	560,000
Goodwill	300,000
	860,000
Cost of business combination	
Shares issued	380,000
Cash paid	480,000
	860,000

Required:
Prepare the consolidated cash flow statement for the year ended 31 May 2015 as required by MFRS 107 *Statement of Cash Flows* using indirect method.

(25 marks)

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